

OLC 72-0780
7 July 1972

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Robert Hull on Retirement Financing

1. Today I called Robert Hull, Department of State, for a progress report on the Department's negotiations with the Office of Management and Budget on the funding of the Foreign Service retirement system.

2. Hull said that OMB had retreated from its initial position that either (1) normal costs should be fully covered by employer/employee contributions, or (2) the Foreign Service system should be merged with the Civil Service system. OMB and State, have agreed that: (1) the Foreign Service system shall retain its independence; (2) contribution rates will be maintained at Civil Service levels; (3) future benefits for the Foreign Service system will be held to Civil Service levels; (4) State will request supplemental appropriations for certain unfunded liability attributable to service under the Foreign Service system; and (5) except for such funding through supplemental appropriations, the system will be financed by 30-year amortization of new benefits and interest payments on old benefits under the existing statutory formula.

3. The supplemental appropriations concept may not materialize because the money is not needed to pay benefits for the foreseeable future and there is some opposition in OMB because of the add-on to the President's budget request. In the meantime, State is running an actuarial projection on the amount that might be needed, which could be as high as 7 per cent of payroll.

4. Hull expects that all outstanding issues with OMB will be resolved before the close of this Congress, and that related legislation will be enacted early in the new Congress.

ADMINISTRATIVE

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5. The above is of direct concern to CIA since OMB has held in abeyance proposed amendments to CIARDS pending the resolution of these issues with State, with the idea that we would adopt whatever arrangements are worked out. We should be hearing from OMB shortly after the funding package is finalized with State which should give us adequate time to prepare our legislative package for introduction and, hopefully, early passage in the 93rd Congress.



STATINTL

Assistant Legislative Counsel

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